

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

ANNUAL COMPLIANCE REVIEW, 2015

Docket No. ACR2015

RESPONSES OF THE UNITED STATES POSTAL SERVICE TO
QUESTIONS 1-5 OF CHAIRMAN'S INFORMATION REQUEST NO. 1

The United States Postal Service hereby provides its responses to the above-listed questions of Chairman's Information Request No. 1, issued on January 6, 2016. Each question is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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1. The table below highlights significant variances in the total liability amounts reported for Compensation and Benefits, Retiree Health Benefits, and Noncurrent Employees' Accumulated Leave reported on page 38 of the FY 2015 Form 10-K and reported in the National Trial Balance.¹ The table below also shows smaller variances in the total liability amounts reported for Payables and Accrued Expenses, and Customer Deposit Accounts.

FY 2015 10-K & Trial Balance Reconciliation			
(\$ in millions)	FY 2015 10-K	September 2015 Trial Balance	Difference
Current Liabilities:			
Compensation and Benefits	\$1,899	\$1,526	(\$373)
Retiree Health Benefits	\$28,100	\$28,347	\$247
Workers' Compensation Costs	\$1,401	\$1,401	\$0
Payables and Accrued Expenses	\$1,853	\$1,884	\$31
Deferred Revenue-Prepaid Postage	\$3,304	\$3,304	\$0
Customer Deposit Accounts	\$1,201	\$1,186	(\$15)
Other Current Liabilities	\$1,053	\$1,043	(\$10)
Current Portion of Debt	\$10,100	\$10,100	\$0
Total Current Liabilities	\$48,911	\$48,791	(\$120)
Workers' Compensation Costs, Noncurrent	\$17,410	\$17,410	\$0
Employees' Accumulated Leave, Noncurrent	\$1,951	\$2,074	\$123
Other Noncurrent Liabilities	\$1,233	\$1,233	\$0
Noncurrent Portion of Debt	\$4,900	\$4,900	\$0
Total Liabilities	\$74,405	\$74,408	\$3

Please reconcile the variances for each category listed in the table above and provide a list of any audited adjustments made after the filing of the Trial Balance.

¹ National Trial Balance - Redacted, September, 2015 (FY 2015), November 13, 2015 (Trial Balance).

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RESPONSE:

The table above correctly reflects the amounts shown on page 38 of the FY 2015 Form 10-K Report, but the Postal Service is unsure of the origin of the aggregations presented in the table as reflecting the FY 2015 Trial Balances. Without knowledge of the specific components of the Trial Balances summed to generate each row of the table, it is not possible to present a complete reconciliation. The major variances, however, are explained below. Other small variances (\$1-3 million) may exist due to rounding issues. Beyond that, the most that can be done is to provide a spreadsheet indicating the exact Trial Balance accounts that have been summed to generate each of the figures shown in the Form 10-K. Unfortunately, because values for some of the components in the rows for which the above table indicates a difference are redacted in the National Trial Balance filings, the full documentation of the Form 10-K figures must be presented under seal as part of USPS-FY15-NP30.

Each row with differences is addressed below.

- **Compensations and Benefits** – The Compensation and Benefits row in the Trial Balance column should include the \$247 million for the FERS liability (GLA – 22259 and 22254) and \$123 million for Holiday leave (GLA – 26123.022 and 26123.023).
- **Retiree Health Benefits** – Please see above. The \$247 million FERS liability is more appropriately categorized as a Compensation and Benefits liability, not Retiree Health Benefits. (This is the actuarial revaluation of retirement liability discussed in 10-K Note 9 on pages 53-54 of the Form 10-K Report, and is being rebooked to another more appropriate account in FY 2016.)
- **Payables and Accrued Expenses** – The spreadsheet in USPS-FY15-NP30 identifies the components of this row in the Form 10-K column, but the Postal

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Service lacks sufficient information to assess the comparable components of the values displayed in the Trial Balance column.

- **Customer Deposit Accounts** - The spreadsheet in USPS-FY15-NP30 identifies the components of this row in the Form 10-K column, but the Postal Service lacks sufficient information to assess the comparable components of the values displayed in the Trial Balance column.
- **Other Current Liabilities** - The spreadsheet in USPS-FY15-NP30 identifies the components of this row in the Form 10-K column, but the Postal Service lacks sufficient information to assess the comparable components of the values displayed in the Trial Balance column.
- **Employees' Accumulated Leave, Noncurrent** – Please see above. Holiday leave should be included in Compensation and Benefits and not in Employees' Accumulated Leave, Noncurrent.
- **Total Current Liabilities** and **Total Liabilities** – Beyond the variances discussed above, the spreadsheet in USPS-FY15-NP30 identifies the components of these rows in the Form 10-K column, and the Postal Service lacks sufficient information to further assess the comparable components of the values displayed in the Trial Balance column.

Overall, the Postal Service expects that the very small difference in the Total Liabilities row is due to rounding, and the other differences therefore simply reflect different aggregation of Trial Balance rows to generate the row categories. As there were no audited adjustments made after the filing of the Trial Balance, they are not the source of any of the observed differences in the table.

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2. Please provide the spreadsheets used to calculate the workyears and the workyear conversion factors shown in Library Reference USPS-FY15-7, Part 8, tab FY15 Productive Hourly Rate, including all data (and data sources) used to compute the workyears and the conversion factors.

RESPONSE:

Please see the Excel files associated with this response provided as part of USPS-FY15-43.

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3. On page 20 of its FY 2015 Form 10-K, the Postal Service states that “[t]otal work hours increased by approximately 21 million, or 1.9%, from 2014 to 2015. This increase was in part due to the increase in work hours for city delivery and customer service operations.” Please provide all data (and data sources) showing the workhour measurements by Labor Distribution Code for FY 2014 and FY 2015.

RESPONSE:

Please see the Excel file associated with this response provided as part of USPS-FY15-43.

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4. On pages 47 and 48 of Library Reference USPS-FY15-17, the Postal Service discusses Total Factor Productivity (TFP). Please provide all supporting workpapers for the derivation of FY 2015 TFP.

RESPONSE:

Please see the Excel file associated with this response provided as part of USPS-FY15-43.

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5. On page 42 of the FY 2015 Form 10-K, the Postal Service states that “[d]ue to the absence of a market for most types of mailing equipment, impaired equipment assets are typically assigned a fair value of zero.” Please explain how impairment losses are determined on long-lived assets which are not fully depreciated but assigned a fair value of zero.

RESPONSE:

When the Postal Service determines that it no longer needs a long-lived equipment asset that is not yet fully depreciated, it assigns the asset a fair value of zero. This assigned value of zero reflects the absence of a market for most types of mailing equipment. At that point, the Postal Service recognizes an impairment loss equal to the asset's carrying value, and reduces the carrying value to zero.